

Jefferson Federation of Teachers
Health & Welfare Fund

Metairie, Louisiana

August 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/20/10

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Health & Welfare Fund

August 31, 2009

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LeGlue & Company, CPAs
(A Professional Corporation)

October 20, 2009

To the Trustees
Jefferson Federation of Teachers
Health & Welfare Fund
Metairie, Louisiana

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of benefit obligations and net assets available for benefits of the Jefferson Federation of Teachers Health & Welfare Fund as of August 31, 2009, and the related statement of changes in benefit obligations and net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above fairly present in all material respects, the benefit obligations and net assets available for benefits of the Jefferson Federation of Teachers Health & Welfare Fund as of August 31, 2009, and the changes in benefit obligations and net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2009 on our consideration of the Jefferson Federation of Teachers Health & Welfare Fund's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,


(A Professional Corporation)

STATEMENT OF BENEFIT OBLIGATIONS AND NET ASSETS
AVAILABLE FOR BENEFITS

Jefferson Federation of Teachers
 Health & Welfare Fund

August 31, 2009

Benefit Obligations

| | |
|--|----------------|
| Estimated dental and vision claims incurred, but not reported | \$ 158,272 |
| Claims reported, but not paid | <u>53,528</u> |
| Total benefit obligations | <u>211,800</u> |

Net Assets

| | |
|-----------------------------|------------------|
| Investments, at fair value: | |
| Money market funds | 83,522 |
| U.S. government securities | 281,102 |
| Corporate bonds and notes | 374,812 |
| Common stock | <u>535,928</u> |
| Total investments | <u>1,275,364</u> |

| | |
|--|----------------|
| Receivables and prepaid expenses: | |
| Contributions receivable | 170,821 |
| Other receivables | 7,432 |
| Accrued interest receivable | 7,462 |
| Prepaid expenses | <u>43,977</u> |
| Total receivables and prepaid expenses | <u>229,692</u> |

| | |
|------|----------------|
| Cash | <u>149,314</u> |
|------|----------------|

| | |
|-------------------------------|----------------|
| Property and equipment: | |
| Furniture and equipment | 579,913 |
| Less accumulated depreciation | <u>538,076</u> |
| Total property and equipment | <u>41,837</u> |

| | |
|--------------|------------------|
| Total assets | <u>1,696,207</u> |
|--------------|------------------|

Liabilities

| | |
|--|----------------|
| Accounts payable and accrued liabilities | <u>156,010</u> |
|--|----------------|

| | |
|-----------------------------------|------------------|
| NET ASSETS AVAILABLE FOR BENEFITS | <u>1,540,197</u> |
|-----------------------------------|------------------|

| | |
|---|---------------------|
| EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS | <u>\$ 1,328,397</u> |
|---|---------------------|

STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS AND
NET ASSETS AVAILABLE FOR BENEFITS

Jefferson Federation of Teachers
 Health & Welfare Fund

Year ended August 31, 2009

Net Increase (Decrease) in Benefit Obligations

Increase (Decrease) during the year attributable to:

| | |
|--|-----------------|
| Estimated dental and vision claims incurred, but not reported | \$ (42,581) |
| Claims reported, but not paid | 10,681 |
| | <u>(31,900)</u> |

Net Increase (Decrease) in Net Assets Available for Benefits

Contributions:

| | |
|-------------------------------|------------------|
| Jefferson Parish School Board | 1,143,147 |
| Voluntary employee | 1,235,454 |
| Total contributions | <u>2,378,943</u> |

Investment income:

| | |
|---|------------------|
| Net decrease in fair value of investments | (149,122) |
| Interest and dividends | 58,078 |
| | (91,044) |
| Less investment expenses | 22,419 |
| Net investment loss | <u>(113,463)</u> |
| Total additions | <u>2,265,480</u> |

Payments:

| | |
|--------------------------|------------------|
| Benefit premiums | 62,417 |
| Dental and vision claims | 2,335,176 |
| | <u>2,397,593</u> |

Administrative expenses

| | |
|------------------|------------------|
| | <u>519,444</u> |
| Total deductions | <u>2,917,037</u> |

NET DECREASE

(651,557)

Decrease in Net Assets Available for Benefits

| | |
|---------------------------------|-----------|
| <u>Over Benefit Obligations</u> | (619,657) |
|---------------------------------|-----------|

Excess of Net Assets Available for Benefits

| | |
|---------------------------------|---------------------|
| <u>Over Benefit Obligations</u> | |
| Beginning of period | <u>1,948,054</u> |
| End of period | <u>\$ 1,328,397</u> |

NOTES TO FINANCIAL STATEMENTS

Jefferson Federation of Teachers Health & Welfare Fund

August 31, 2009

Note 1 - FUND DESCRIPTION

The Fund was established May 9, 1983 pursuant to a collective bargaining agreement entered into by and between the Jefferson Parish School Board ("Employer") and the Jefferson Federation of Teachers ("Union"), for and on behalf of teachers and other employees engaged in covered employment under the collective bargaining agreement.

The Fund is a voluntary employee beneficiary association ("VEBA") qualified under Section 501 (c) (9) of the Internal Revenue Code and organized and administered under Louisiana State law. Consequently, a trust agreement was adopted May 9, 1983 governing the Fund's administration and a plan of benefits was adopted subsequently thereto specifying the eligibility rules for employee and dependent participation and the benefits extended by the plan.

Because the Fund has been established for the exclusive benefit of public employees and is funded pursuant to the collective bargaining agreement by contributions of a governmental agency, the Plan is a "governmental plan" exempt from the coverage of ERISA (the Employee Retirement Income Security Act of 1974). The Plan is not regulated by Section 302 (c) (5) of the Labor Management Relations Act, despite its collectively bargained status, since the Act exempts from its purview employers and unions in the public sector.

The Fund and Plan are administered by ten Trustees, five of whom are appointed by and represented by the Employer, and five of whom are appointed by and represented by the Union. In the event of an Employer-Union deadlock in the Trustee votes, the Trust Agreement requires the parties to arbitrate any question concerning the Fund's administration. Although authorized by law to offer any benefit sanctioned by Section 501 (c) (9) of the Internal Revenue Code, the Plan presently pays only dental, vision, and death benefits and does not offer major medical benefits of any kind because this Fund's participants are also eligible participants in the State Employees Group Benefit Program. The Trustees of the Jefferson Federation of Teachers Health & Welfare Fund limit benefit coverage to those excess or non-core benefits not offered by the statewide Fund.

Effective January 1, 1991, the Fund began to self insure all benefits payable by the Plan with the exception of its life insurance program, which is still fully insured.

The Fund is self administered by an Administrative Manager and staff employed directly by the Board of Trustees.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared using the accrual basis of accounting.

All contributions submitted to the Fund are administered by the Board of Trustees pursuant to the Plan of Benefits, as amended from time to time.

The Fund depreciates its furniture and equipment over useful lives of five to seven years using the straight-line method. Depreciation expense for the year ended August 31, 2009 was \$37,062.

The liabilities for dental and vision claims were estimated by the Plan's actuary based on a percentage of paid claims for the year ended August 31, 2009.

Investments are valued at quoted market price.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

At various times during the period, cash on deposit with one banking institution exceeded the \$250,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash and cash equivalents to minimize the potential risk.

Note 3 - FUNDING POLICY

The Jefferson Parish School Board contributed \$1,143,147 to the Fund for the year ended August 31, 2009. An employee may voluntarily contribute additional amounts, determined by the Trustees to purchase coverage for the employee's eligible dependents. Employees contributed \$1,235,454 during the period to obtain dependent coverage.

If eligibility is terminated due to cessation of employment or a reduction in hours, an employee may pay for extended coverage pursuant to COBRA, state law and Plan rules for limited terms and under the limitations specified in the law and the Plan.

Note 4 - INVESTMENTS

The Plan's assets are held by a bank custodian and are invested by a professional investment manager pursuant to investment guidelines issued by the Trustees and pursuant to the bank's written contract with the Board. During the year the Fund's investments (including investments bought, sold and held during the period) decreased in value by \$149,122 as follows:

Note 4
(Continued)

| | Net Increase (Decrease) in Value During Year | Fair market value |
|--|---|----------------------|
| Investments at fair value as determined by quoted market price: | | |
| Money market funds | \$ - | \$ 83,522 |
| U.S. Government obligations | (6,113) | 281,102 |
| Corporate bonds and notes | (1,647) | 374,812 |
| Common stock | (141,362) | 535,928 |
| | <u>\$(149,122)</u> | <u>\$ 1,275,364</u> |

The fair value of individual investments that represent five percent or more of the plan's total assets are as follows:

| | |
|---|------------|
| Federal Home Bank Notes (\$100,000 face amount) | \$ 101,313 |
| Federal Home Loan Mortgage Corp. Note (\$100,000 face amount) | 102,000 |
| American Int'l Group, Inc. debentures (\$140,000 face amount) | 133,044 |
| Cox Communications, Inc. debentures (\$140,000 face amount) | 141,557 |
| Lubrizol Corp. Senior Note (\$100,000 face amount) | 100,211 |

Note 5 - INCOME TAXES

The Fund is exempt from income taxes under Section 501 (c) (9) of the U.S. Internal Revenue Code.

Note 6 - RETIREMENT PLAN

Employees of the Fund participate in the Louisiana Teachers' Retirement System and therefore, accrue credits in that Fund's defined benefit plan in accordance with its own eligibility rules. No information is available concerning the Louisiana Teachers' Retirement System's actuarial soundness, net assets, or actuarial present value of accumulated vested and non-vested benefits.

ADMINISTRATIVE EXPENSES

Jefferson Federation of Teachers
Health & Welfare Fund

Year ended August 31, 2009

| | |
|-------------------------------|-------------------|
| Accounting and auditing | \$ 21,042 |
| Banking fees | 6,751 |
| Computer expenses | 54,034 |
| Consulting | 36,411 |
| Depreciation | 37,062 |
| Employee benefits | 35,617 |
| Insurance | 9,469 |
| Legal | 27,574 |
| Maintenance | 2,747 |
| Meetings | 2,465 |
| Miscellaneous | 25,071 |
| Postage | 19,613 |
| Printing and publications | 4,040 |
| Rent | 21,371 |
| Salaries | 157,704 |
| Stationery and supplies | 14,011 |
| Telephone | 5,731 |
| Training and conferences | 36,112 |
| Utilities | <u>2,619</u> |
| Total administrative expenses | <u>\$ 519,444</u> |

LeGlue & Company, CPAs
(A Professional Corporation)

October 20, 2009

To the Trustees
Jefferson Federation of Teachers
Health & Welfare Fund
Metairie, Louisiana

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

We have audited the financial statements of Jefferson Federation of Teachers Health & Welfare Fund as of and for the year ended August 31, 2009 and have issued our report thereon dated October 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Jefferson Federation of Teachers Health & Welfare Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Fund's financial statements that is more than inconsequential will not be prevented or detected by the Fund's internal control. We consider the deficiencies described in the accompanying Summary Schedule of Findings and Questioned Costs as item 2009-01 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Fund's internal control.


Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson Federation of Teachers Health & Welfare Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the management, Board of Trustees, and the Legislative Auditor's office. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,



(A Professional Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jefferson Federation of Teachers Health & Welfare Fund

Year ended August 31, 2009

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Section II – Financial Statement Findings

Reference Number

2009-01

Criteria

Management of Jefferson Federation of Teachers Health & Welfare Fund is responsible for the design and implementation of internal controls to safeguard the assets of Jefferson Federation of Teachers Health & Welfare Fund.

Condition

The Fund's cash account related to the processing of dental claims is not reconciled to the cash balance on the general ledger. The processing and printing of dental claims involves several software programs that are not integrated to each other nor to the general ledger. As a result there is no internal program to facilitate a reconciliation of the cash balance. Management reviews and reconciles checks issued and checks that clear the bank; however, management does not reconcile the cash balance in the bank to the cash balance on the general ledger. In addition, there is no follow up on old outstanding checks on the outstanding check listing and, as a result, the listing includes some very old checks exceeding a year old.

Cause

Since the processing and printing of dental claim checks involved multiple, non-integrated programs, which prevented any of the software programs to provide an adequate reconciliation feature, management deemed it sufficient to reconcile only the issuance and clearance of dental claim checks as protection and safeguarding of the Fund's assets.

Effect or Potential Effect

The cash balance of the dental claims account may not accurately depict the cash available to process dental claims.

Recommendation

We recommend that management develop a reconciliation process for the dental claims account that reconciles the cash in the bank to the cash in the general ledger on a monthly basis.

In addition, we recommend that management develop a policy that would review reconciling items of all bank reconciliations periodically (at least once a year) and that any items that have been outstanding for a certain period of time (such as over one year old) be written off and removed from any outstanding listing.

Management's Response

New management with a stronger concentration in accounting took over September 1, 2009 and is currently designing a reconciliation procedure for the dental claims account. In conjunction with their reconciliation, management will incorporate a review of outstanding items and a policy for determining the proper length of time before an outstanding item is subject to being written off.